

DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority**Los Angeles, California**IN REPLY REFER TO:
FILE NO: ALPHA

February 1, 2008

**TO: ALL LICENSEES PURSUANT TO THE CALIFORNIA FINANCE
LENDERS LAW**

The attached addendum to the annual report requesting information on non-traditional mortgage products and adjustable rate mortgage products and the Report on Non-traditional, Adjustable Rate and Mortgage Loan Products **must be completed and returned to the Department of Corporations by March 15, 2008. These reports must be filed by every licensee even if no business was conducted under the authority of the license in 2007.**

NEW REPORTING REQUIREMENTS FOR 2007 DATA**Report on Nontraditional, Adjustable Rate and Mortgage Loan Products**

California Code of Regulations Title 10 Section 1436 effective on January 1, 2008 requires every licensee to implement best practices to manage loan product risk on a continuous basis. These best practices shall include practices set forth in the Guidance on Nontraditional Mortgage Product Risks published on November 14, 2006 by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) and the Statement on Subprime Mortgage Lending published on July 17, 2007 by CSBS, AARMR and the National Association of Consumer Credit Administrators. Both publications, collectively referred to herein as the "Guidance," are available on the Department's website at www.corp.ca.gov. Best practices" shall mean lawful processes, policies, and procedures to manage risks associated with use of nontraditional mortgage products and adjustable rate mortgage products as defined and prescribed by the Guidance.

In a separate written document, submitted as an addendum to its annual report required under Section 22159 of the Financial Code, every licensee shall state whether it made or arranged nontraditional mortgage products and adjustable rate mortgage products, as defined by the Guidance, during the reporting period covered by the annual report. If any such loans were made or arranged, the licensee shall also explain how it has implemented best practices and explain whether and how it has put into effect the following internal controls or procedures during the reporting period: adopted processes, policies and procedures to ensure compliance with the Guidance; designated a compliance officer

- ♦ Securities ♦ Franchises ♦ Off-Exchange Commodities ♦ Investment and Financial Services ♦
♦ Independent Escrows ♦ Consumer and Commercial Finance Lending ♦ Residential Mortgage Lending ♦

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(including contact information of that officer) to ensure compliance with the Guidance; implemented a consumer complaint process to resolve consumer complaints involving loans covered by the Guidance; and educated employees and agents to help them understand how to apply the best practices. In addition, the licensee shall indicate the number of any consumer complaints it received during the reporting period regarding loans that are subject to the Guidance, including the number of resolved complaints and unresolved complaints and the number of workout arrangements used for resolved complaints. "Workout arrangement" shall mean a modified or converted loan product with predictable payment requirements to help the financially-stressed borrower. Attached for your convenience is a suggested format for reporting this data.

If any nontraditional mortgage loans or adjustable rate mortgage loans subject to the Guidance were made or arranged, the licensee shall also submit information regarding those loan products on the form entitled Non-traditional, Adjustable Rate and Mortgage Loan Survey (Rev. 8/07) (Survey.) The Survey and the definitions of these products are contained in an attachment to the report. The Survey is also available on the Department's website at www.corp.ca.gov.

WHERE AND WHEN TO FILE

The report is due **March 15, 2008** at:

DEPARTMENT OF CORPORATIONS
320 WEST 4TH STREET, SUITE 750
LOS ANGELES, CA 90013-2344

Information regarding the report may be obtained from:

1-866-ASK-CORP or 1-866 275-2677

SECTION 1436 (CCR) COMPLIANCE REPORT
CFLR Report on Non-Traditional, Adjustable Rate and Mortgage Loan Products
Addendum to Annual Report Required under Section 22159(FC)

COMPANY NAME: _____

LICENSE NUMBER: _____

CONTACT PERSON: _____ PHONE NO: _____

1. During calendar year 2007, have you made or arranged non-traditional mortgage products or adjustable rate mortgage products as defined by the Guidance?

a. Made non-traditional mortgage products?	Yes _____	No _____
b. Arranged non-traditional mortgage products?	Yes _____	No _____
c. Made adjustable rate mortgage products?	Yes _____	No _____
d. Arranged adjustable rate mortgage products?	Yes _____	No _____

If the answer is YES to any of the above, please complete items 2 through 4.

If the answer is NO to all questions, there is no need to complete items 2 through 4.

2. Please describe on a separate page how you have implemented the best practices and explain whether and how you have put into effect the following internal controls or procedures during the reporting period:

- a. Adopted processes, policies and procedures to ensure compliance with the Guidance.
- b. Implemented a consumer complaint process to resolve consumer complaints involving loans covered by the Guidance.
- c. Educated employees and agents to help them understand how to apply the best practices.
- d. Designated a compliance officer to ensure compliance with the Guidance.

Compliance Officer's Name: _____

Address: _____

Phone: _____ E-mail: _____

3. Consumer complaint information:

a. Number of consumer complaints received	_____
b. Number of consumer complaints resolved	_____
c. Number of consumer complaints unresolved	_____
d. Number of Workout Arrangements* used for resolved complaints	_____

4. If any non-traditional mortgage loans or adjustable rate mortgage loans subject to the Guidance were made or arranged, the finance company shall submit information regarding these loan products on the form entitled "Non-traditional, Adjustable Rate and Mortgage Loan Survey (Rev. 8/07)". This form is available on the Department's website at www.corp.ca.gov.

*Workout Arrangement shall mean a modified or converted loan product with predictable payment requirements to help the financially-stressed borrower.